

By: Hernandez Luna

H.B. No. 503

A BILL TO BE ENTITLED

AN ACT

1  
2 relating to the ability of a property owners' association to  
3 contract with an association board member or certain other persons  
4 or entities associated with the board member.

5 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

6 SECTION 1. Section 209.002, Property Code, is amended by  
7 adding Subdivision (4-a) to read as follows:

8 (4-a) "Development period" means a period stated in a  
9 declaration during which a declarant reserves:

10 (A) a right to facilitate the development,  
11 construction, and marketing of the subdivision; and

12 (B) a right to direct the size, shape, and  
13 composition of the subdivision.

14 SECTION 2. Chapter 209, Property Code, is amended by adding  
15 Section 209.0052 to read as follows:

16 Sec. 209.0052. ASSOCIATION CONTRACTS. (a) This section  
17 does not apply to a contract entered into by an association during  
18 the development period.

19 (b) An association may enter into an enforceable contract  
20 with a current association board member, a person related to a  
21 current association board member within the third degree by  
22 consanguinity or affinity, as determined under Chapter 573,  
23 Government Code, a company in which a current association board  
24 member has a financial interest in at least 51 percent of profits,

1 or a company in which a person related to a current association  
2 board member within the third degree by consanguinity or affinity,  
3 as determined under Chapter 573, Government Code, has a financial  
4 interest in at least 51 percent of profits only if the following  
5 conditions are satisfied:

6 (1) the board member, relative, or company bids on the  
7 proposed contract and the association has received at least two  
8 other bids for the contract from persons not associated with the  
9 board member, relative, or company, if reasonably available in the  
10 community;

11 (2) the board member:

12 (A) is not given access to the other bids;

13 (B) does not participate in any board discussion  
14 regarding the contract; and

15 (C) does not vote on the award of the contract;

16 (3) the material facts regarding the relationship or  
17 interest with respect to the proposed contract are disclosed to or  
18 known by the association board and the board, in good faith and with  
19 ordinary care, authorizes the contract by an affirmative vote of  
20 the majority of the board members who do not have an interest  
21 governed by this subsection; and

22 (4) the association board certifies that the other  
23 requirements of this subsection have been satisfied by a resolution  
24 approved by an affirmative vote of the majority of the board members  
25 who do not have an interest governed by this subsection.

26 SECTION 3. The change in law made by this Act applies only  
27 to a contract entered into on or after the effective date of this

1 Act.

2 SECTION 4. This Act takes effect September 1, 2013.